

Message Text

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16

ACTION NEA-12

INFO OCT-01 ADP-00 OMB-01 AID-20 IO-13 TRSE-00 CIAE-00

DODE-00 PM-07 H-02 INR-10 L-03 NSAE-00 NSC-10 PA-03

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FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 9704

INFO AMEMBASSY DACCA

AMEMBASSY NEW DELHI

UNCLAS ISLAMABAD 4954

E. O. 11652: N/ A

TAGS: EFIN, PK, EAID

SUBJ: PAKISTAN, THE CONSORTIUM, AND EXTERNAL DEBT
AND ECONOMIC ASSISTANCE PROBLEMS

FOLLOWING ARTICLE, BY ASLAM SHEIKH, ENTITLED " CONSORTIUM
WAVERING ON FRESH AID" APPEARED FRONT PAGE OF GOP CONTROLLED
PAK TIMES JUNE 19, QUOTE

WHILE WESTERN CONSORTIUM HAS MADE A FIRM AND GENEROUS
PLEDGE OF FRESH ECONOMIC ASSISTANCE TO INDIA, IT CONTINUED
TO WAVER ON A FIRM COMMITMENT OF NEW ECONOMIC AID AND DEBT
RELIEF TO PAKISTAN.

THE REPORTS FROM PARIS INDICATE THAT PAKISTAN'S CREDITORS
WHO ARE ALSO GROUPED IN AN IDENTICAL CONSORTIUM FOR INDIA
HAVE RECOMMENDED \$500 MILLION PROJECT ASSISTANCE PLUS ANOTHER
\$700 MILLION AND DEBT RELIEF TO NEW DELHI.

ACCORDING TO EARLIER INDICATIONS, THESE COUNTRIES WERE
EXPECTED TO TAKE A FINAL DECISION ON PAKISTAN'S CASE BY
THE MIDDLE OF THIS MONTH. BUT IT APPEARS THAT THE
POLITICALLY MOTIVATED ATTITUDE OF SOME OF THE CONSORTIUM
MEMBERS CONTINUES TO BLOCK THE OVERALL SETTLEMENT OF ISSUES
NOW SERIOUSLY STRAINING PAKISTAN- CONSORTIUM ECONOMIC
RELATIONSHIP.

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THE PROMPT DECISION ON INDIAN CASE IS IN SHARP CONTRAST TO THE PROTRACTED AND DILATORY TACTICS USED IN NEGOTIATIONS WITH ISLAMABAD OVER THE QUESTION OF DEBT RELIEF ALONE. IT MAY WELL BE MENTIONED HERE THAT PAKISTAN HAD RAISED THE ISSUE OF RESCHEDULING OF ITS REPAYMENTS WAY BACK IN EARLY 1968-- LONG BEFORE THE NEW COMPLICATION OF THE DIVISION OF DEBT LIABILITIES BETWEEN WEST PAKISTAN AND BANGLADESH AROSE. BUT OBVIOUSLY, PURELY ON POLITICAL CONSIDERATIONS, A HELPFUL AND CONSTRUCTIVE APPROACH WAS NOT ADOPTED ON THE ISSUE. IN THE MEANTIME, INDIA HAS BEEN QUALIFYING FOR ONE RELIEF AFTER ANOTHER SINCE 1966. IN OUR CASE, DESPITE FAVORABLE RECOMMENDATIONS BY THE WORLD BANK EXPERTS, THE DECISION ON DEBT RELIEF HAS BEEN HANGING FIRE.

IN MORE RECENT NEGOTIATIONS, THE ISSUES OF NEW PLEDGES AND DEBT RELIEF HAVE BEEN KEPT PENDING AND THE PRETEXT HAS BEEN THAT A POLITICAL SETTLEMENT BETWEEN ISLAMABAD AND DACCA MUST PRECEDE IT. BUT STRANGELY ENOUGH AT THE SAME TIME, INDIA WHICH CLEARLY IS RESPONSIBLE FOR DELAYING THE PROCESS OF NORMALIZATION IN THE SUBCONTINENT BY NOT FULFILLING ITS ELEMENTARY OBLIGATIONS UNDER THE GENEVA CONVENTIONS, IS NONETHELESS CONSIDERED ELIGIBLE FOR NEW ECONOMIC ASSISTANCE.

THIS KIND OF DISCRIMINATORY TREATMENT AND POLITICAL PRESSURE HAVE BEEN IN EVIDENCE FOR PAKISTAN IN THE MULTILATERAL FRAMEWORK OF CONSORTIUM NEGOTIATIONS NOW QUITE FOR SOMETIME. PERHAPS A POINT IS NOW REACHING WHEN ISLAMABAD MAY WELL RECONSIDER THE CONTINUED UTILITY OF SEEKING EXTERNAL LOANS THROUGH THIS MECHANISM. IF THE CONSORTIUM MEMBERS CANNOT RESOLVE THEIR OWN DIFFERENCES, IT IS BETTER TO REVERT TO BILATERAL ARRANGEMENTS IN THIS SPHERE. END QUOTE
SOBER

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